UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
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San Francisco, CA 94105-3901

COPY FOR YOUR INFORMATION

February 27, 2002

Mr. Jerry Gewe
Assistant General Manager-Water
Los Angeles Department of Water and Power
PO Box 51111, Room 1455
Los Angeles, CA 90051

Dear Mr. Gewe:

As we discussed recently, EPA has identified the 50 cfs stand-alone pump station as its preferred alternative for the Lower Owens River Project (LORP) Draft Environmental Impact Statement (EIS). This is the alternative that was originally proposed for the LORP by LADWP and the other MOU parties. This was a difficult decision for EPA to make, as we realized that it would result in two different preferred alternatives for the two lead agencies in the EIR/EIS, and potentially, two different decisions in the final documents. This letter details EPA's concerns with the 150-cfs pump station alternative.

We have continued to consider all new information as it becomes available, and our conclusion remains: LADWP's proposal for a 150 cfs pump station is not well-supported. The available evidence strongly suggests that LADWP prefers this alternative in order to build future capacity to export additional water from the Owens Valley, presumably from expanded ground water pumping. Accordingly, the EIR/EIS must disclose these growth-inducing, cumulative and long-term impacts. In its current form, the draft EIR/EIS has not begun to address these impacts.

The LORP was originally conceived as mitigation for previous impacts related to groundwater pumping dating as far back as 1972, and the project was originally seen as a "win-win" when it was conceived (i.e., rewatering the Lower Owens River and wetlands areas, and allowing for up to 50 cfs to be pumped back to the aqueduct). The larger pump station, which was first proposed in February 2000, does not appear to be justified even under LADWP's own arguments, as summarized below.

Results of LADWP's Proposal

LADWP's change in the pump station proposal delayed the development of the EIR/EIS by over a year, while the other MOU parties responded to and negotiated with LADWP. As a non-signatory to the MOU, EPA was not involved in that process. However, we observed the process, and have actively sought solutions to the impasse, because we believe this project, as originally proposed, can provide environmental and water-quality benefits to the Owens Valley. EPA has been contacted by Indian Tribes in the area, for whom we have a trust responsibility, as well as by other MOU parties, and we have heard widespread arguments against the larger

proposal. While some of the parties who have contacted us adamantly oppose any suggestion that could potentially lead to a larger pump station in the future, some offered compromises, if LADWP could provide assurances that the pump station operations would be consistent with the LORP plan, and no additional groundwater pumping or other water exports would result. LADWP has been unwilling to provide any assurances that additional groundwater pumping to the pump station will not occur, or that the pump station will only be operated as originally conceived under the LORP. In fact, LADWP recently initiated studies to investigate the potential for additional groundwater extraction in the basin. LADWP staff have argued that LADWP wants to build the larger facility now because there simply is no chance that greater capacity would ever be approved in the future.

Summary of Analysis

Under NEPA, EPA must identify which alternative is environmentally preferable, and we must explain the basis on which a final decision is made. The smaller pump station alternative is clearly environmentally preferable. The discussion of alternatives can include economic considerations, so EPA requested to review LADWP's economic feasibility analysis in order to better understand LADWP's perspective on the larger pump station proposal. LADWP evidently had conducted its feasibility analysis under a different set of project assumptions: the entire seasonal habitat flow would reach the pump station, which would require supplementation over the length of the river, due to water losses. Since that time, LADWP has re-defined the seasonal habitat flow, so that losses would not be supplemented and the entire flow would not be provided along the entire river. This would affect the economic analysis. LADWP assured EPA that LADWP would be reviewing and updating its analysis, because LADWP was not interested in promoting a project that was not economically feasible.

We shared with you a table that we had developed from the EIR/EIS analysis, which showed that the 150-cfs pump station capacity would not be fully utilized at any time under standard LORP operations, assuming a water loss rate of 1 cfs/mi from the LA Aqueduct Intake to the pump station. This appears to be a reasonable and conservative estimate of loss from evaporation, transpiration and ground water infiltration, particularly if one considers that the project should result in additional growth of riparian vegetation. However, even if one considers the smallest possible loss rate of 0.3 cfs/mi (based on the lowest loss rate that was observed during the 1993 flow study), the capacity of the pump station would be utilized, at best, one day every other year, or 0.5 days per year on average. (Even the originally-proposed 50-cfs capacity pump station would be fully utilized only 2.5 days per year, on average, or 3.5 days per year using the lower loss rate.) Thus, the excess, underutilized capacity would provide strong incentive for LADWP to pump additional water from the Owens Valley.

EPA remains interested in reviewing your economic analysis when it becomes available. Meanwhile, we developed our own simplified analysis, in an effort to understand the arguments for and against the larger pump station for the purposes of the EIR/EIS. Our conclusions follow.

Enclosed, you will find an update of the table that we originally provided you, which shows the amount of water that could be pumped under the two main project options from the Lower Owens River. In theory, this water could be valued at a price up to the replacement cost of water purchased from Metropolitan Water District (MWD). Our conclusion is that, if water losses are minimal along the 62-mile river reach, the larger pump station may net LADWP about 180 AF per year, on average, over the 50 cfs option. This would be worth only about $58,000 per year, which is slightly less than a 2% annual return on the additional investment, assuming a relatively high replacement value ($323 per AF). This does not include the additional costs of maintenance, or of litigation that LADWP will likely face if it decides to build the larger pump station.

Even using a smaller loss rate, which we are not confident that the evidence will support, the larger project will net, at most, 435 AF per year, on average, or up to $141,000 per year. Thus, using assumptions that are extremely favorable to the larger project, LADWP may realize, at best, less than a 5% annual return on the additional investment, but only if additional maintenance, litigation or related costs are not factored in.

Our analysis uses the current U.S. Bureau of Reclamation (USBR) cost estimates for constructing the 50-cfs and 150-cfs pump stations, which show that a stand-alone 50 cfs pump station (the original proposal) will cost approximately $5 million. The additional cost of the 150 cfs pump station is estimated at $3 million, for a total of nearly $8 million. (USBR is currently revising these estimates, which will include additional costs for the expanded options that were not included in the original estimate.) Using the proportions of full service and local project water versus stored water that LADWP has purchased from MWD over the last 10 years (70% and 30%, respectively, calculated from quantities available on the MWD website), we assigned an overall value of $323 per AF to the pumped water. Using the full-service water value of $349 per AF is not realistic, as water purchased from MWD has never been comprised completely of this higher-value water during the period of record available from MWD.

Assuming a 5% rate for the cost of financing the project (municipal bonds, presumably) and throwing in a 1% annual increase in the cost of replacement water from MWD, it could still take up to 70 years to recover just the construction cost difference between the larger pump station and the original proposal, assuming that very little water is lost in the 62-mile reach between the Intake and the pump station.

Conclusions

LADWP's proposal for the larger pump station does not appear to be economically or environmentally justified. Pushing the proposal forward will continue LADWP's litigious relationship with Inyo County and the other MOU parties, which may result in significant and unrecoverable financial and public-relations burdens for the City of Los Angeles.

EPA, as a major contributor to the LORP (with over $6 million currently earmarked for the project, including over $1.5 million for the City of Los Angeles), must meet fiscal and legal requirements in funding the project. Among them is the requirement to produce an adequate EIS, which fully discloses all the impacts of the project to the public and decision-makers, and to consider public comments on the proposal. EPA is also required to document our decision, which becomes part of the public record. Given the public scrutiny that this project is likely to undergo, we are concerned about LADWP's continued preference for the larger pump station, and we will require that the draft EIR/EIS adequately disclose all impacts, including growth-inducing, cumulative, and long-term impacts.

The original 50-cfs pump station alternative is the better proposal to meet the intent of the LORP for the purposes of EPA's funding. Should LADWP decide to go ahead with the 150-cfs alternative, LADWP would be responsible for all costs above those that would be incurred by EPA's selected project. Even under that scenario, full disclosure of impacts associated with the larger pump station alternative will be required.

Thank you for your consideration of this matter. If you would like further discussion, please call me at 415-972-3456.

Sincerely yours,

Janet Parrish

Janet Parrish
Monitoring and Assessment Office (WTR-2)

Enclosure

WATER PUMPED FROM LOWER OWENS RIVER UNDER A 200 cfs HABITAT FLOW, USING 0.3 cfs/mi AND 1.0 cfs/mi LOSS RATES, FOR 50 cfs AND 150 cfs CAPACITY PUMP STATIONS

		RIVER LOSS RATE 0.3 cfs/mi ; 18.6 cfs total loss								RIVER LOSS RATE: 1.0 cfs/mi ; 62 cfs total loss							
Day	Intake q	q*	50 cfs pump station alt				150 cfs pump station alt				q*	50 cfs pump station alt				150 cfs pump station alt			
			P-cfs	P-AF	D-cfs	D-AF	P-cfs	P-AF	D-cfs	D-AF		P-cfs	P-AF	D-cfs	D-AF	P-cfs	P-AF	D-cfs	D-AF
0	40	base									base								
1	50	40	35	69	5	10	35	69	5	10	40	35	69	5	10	35	69	5	10
2	63	44	39	78	5	10	39	78	5	10	40	35	69	5	10	35	69	5	10
3	79	60	50	99	10	21	55	109	5	10	40	35	69	5	10	35	69	5	10
4	99	80	50	99	30	60	75	149	5	10	40	35	69	5	10	35	69	5	10
5	124	105	50	99	55	110	100	199	5	10	62	50	99	12	24	57	113	5	10
6	155	136	50	99	86	171	131	260	5	10	93	50	99	43	85	88	174	5	10
7	200	181	50	99	131	260	150	297	31	62	138	50	99	88	174	133	263	5	10
8	160	141	50	99	91	181	136	270	5	10	98	50	99	48	95	93	184	5	10
9	128	109	50	99	59	118	104	207	5	10	66	50	99	16	32	61	121	5	10
10	102	83	50	99	33	66	78	155	5	10	40	35	69	5	10	35	69	5	10
11	82	63	50	99	13	27	58	115	5	10	40	35	69	5	10	35	69	5	10
12	66	47	42	84	5	10	42	84	5	10	40	35	69	5	10	35	69	5	10
13	53	40	35	69	5	10	35	69	5	10	40	35	69	5	10	35	69	5	10
14	40	base									base								
TOTAL				1,191		1,053		2,061		183			1,048		491		1,407		131
Avg value**		$ 349 /AF		$207,790				$359,607					$182,844				$245,554		
		$ 323		$192,110				$332,607		$59,221			$169,222		$158,478		$227,258		$42,302
		$ 300		$178,816				$309,118					$157,172				$211,078		
		$ 275		$163,731				$283,358					$144,075				$193,488		
Add'l water w/ larger capacity***								435 AF									180 AF		
Add'l value (range)***								$119,627 -		$151,817							$49,413 -		$62,710
Add'l value (best estimate)***										$140,507									$56,038
Avg # days/yr cap used:***				36.5				0.5					2.5				0.0		

LEGEND: q=flow to pump station in cfs; P-cfs =water pumped in cfs; P-AF p=water pumped in AF;
D-cfs=water flowing past pump station to delta in cfs; D-AF==water flowing past pump station to delta in AF

Bold numbers are for pump station capacity met or exceeded.
*flows less than 40 at pump would be supplemented to reach 40.
**Water value $323/AF is based on an average consumption of 70% full service and local projects and 30% storage programs for LADWP purchase of MWD water FY 1993-2002. $349/AF is full service price.
For CY2002, full service, untreated water is priced at $349/AF, long term seasonal storage is priced $233/AF, and shift storage is priced $288/AF. Storage values are averaged.
***Flows of 200 cfs would only occur in appx 50% of years, so avg is assumed to be half the #days and half the costs recovered. Over the long term, slightly more than 50% would be accurate.

1.98 AF/cfs

2/4/2001